

IMPUTED INCOME AMONG NONCUSTODIAL PARENTS

CHARACTERISTICS AND PAYMENT OUTCOMES

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EXECUTIVE SUMMARY

One-quarter of U.S. children live in a single-parent household, and both parents—regardless of residency with the child—are responsible for the financial support of those children. In Maryland, child support orders are calculated using the income of both parents. The resulting amount from this combined income is then prorated between the parents based on their portion of the combined income, and the non-residential parent, otherwise known as the noncustodial parent (NCP), is then ordered to pay his or her share.

In some instances, however, parents may be voluntarily impoverished, potentially to obtain a lower order amount, and the courts can impute income to ensure that the child is not harmed by this voluntary impoverishment. That is, if a noncustodial parent obtains a job paying an amount lower than what he or she previously earned, then the courts can impute the earnings to the higher paying job so that the child can benefit from the noncustodial parent's full potential.

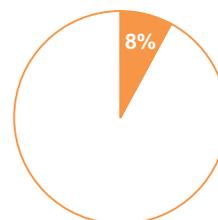
In practice, income imputation is also used among low-income parents who may be unemployed, working part-time, or unable to show proof of income at the time of order determination. Income imputation in these cases results in an order that is based on earnings—usually full-time at the prevailing minimum wage—that the parent could potentially earn, but currently does not have. In fact, the use of potential rather than actual income is likely to result in lower payment compliance with the order and accrual of past-due debt, known as arrears (Legler, 2003; Roulet, 2009).

Based on a sample of 5,340 new or modified orders, this report examines the payment outcomes of noncustodial parents whose income was likely imputed to full-time minimum wage for purposes of determining the child support obligation. This is compared to noncustodial parents whose actual earned income was used in the calculation.

Less than 10% of NCPs have imputed income.

According to our calculations, 8% of orders had imputed income at full-time minimum wage for the NCP. We also found that NCP income in nearly one-quarter of orders was below full-time minimum wage, suggesting that actual low-wage incomes were used. This implies that, in some orders, there was an understanding that actual earned income would produce more realistic order amounts.

Percent of Orders with NCP Imputed Income



Among NCPs with Maryland employment, those with imputed income earned nearly \$20,000 less.

The imputation of income does not only occur when an NCP is unemployed, but can also be used when the NCP is working part-time. Therefore, it is not surprising to find that some NCPs with imputed income were employed although fewer worked in the year prior to their order determination compared to NCPs with actual income (57% vs. 70%). The average income earned during that year was about \$8,800 for those with imputed income and \$28,000 for those with actual income.

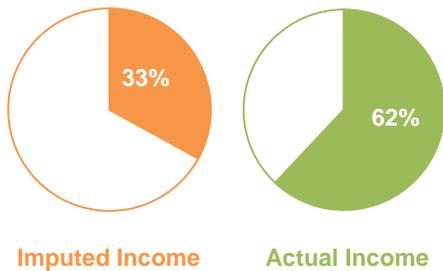
Average Earnings in the Year Prior to Order Determination



NCPs with imputed income paid about one-third of their current support obligation.

Some NCPs with imputed income did in fact attempt to pay toward their current support obligation, but their payment compliance was much lower than NCPs with actual income. Specifically, NCPs with imputed income paid an average of 33% of their current support obligation in the follow-up year, compared to 62% among NCPs with actual income.

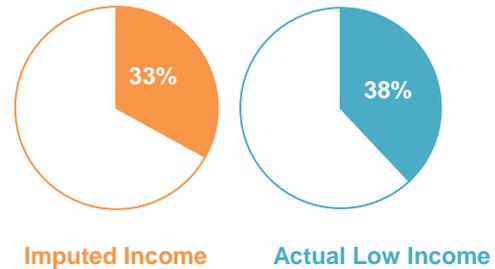
Average Percent of Obligation Paid in Follow-up Year



NCPs with actual low income paid slightly more towards their current support obligations.

Obligors whose income was below full-time minimum wage at the time of order determination paid an average of 38% of their current support obligation compared to 33% among obligors with imputed income.

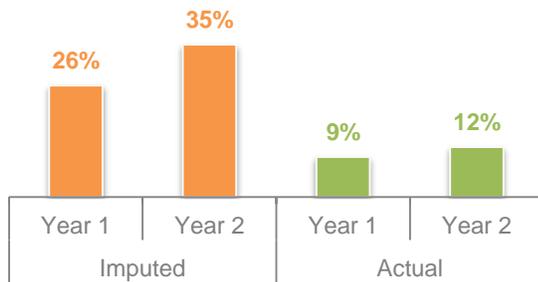
Average Percent of Obligation Paid in Follow-up Year



NCPs with imputed income were less likely to make a payment over time.

One-quarter of imputed income obligors paid nothing in the first follow-up year, and more than one-third paid nothing in the second follow-up year. Among obligors with actual income, the percent who paid nothing increased from only 9% to 12% between the two follow-up years.

Percent of NCPs with No Payments



While imputed income is not a common practice statewide, there are a few jurisdictions in the state where income is imputed in one of every three orders. Even with its seemingly limited use throughout most of Maryland, the payment outcomes are disheartening.

Among those with Maryland employment, imputed income noncustodial parents earn substantially less. In fact, their earnings are below the poverty threshold for a one-person household. With average earnings under \$10,000, imputed income noncustodial parents paid only one-third of their current support. Additionally, more than one-quarter made absolutely no payments after the determination of their child support orders. This is in stark contrast to noncustodial parents whose actual income was used for the determination of child support—they paid about two-thirds of their obligation, and only one in ten paid nothing.

It may be necessary to consider other alternatives to income imputation. First, and foremost, actual earned income should be used whenever possible. For those without documented earnings, however, it may be prudent to consider a minimum order until earnings can be verified.

INTRODUCTION

Ideally, child support orders should ensure that a child's financial situation is not harmed by the separation of parents. Maryland uses the income of both parents to calculate child support orders, so the combined income determines the level of support necessary to raise a child. The resulting amount is prorated between both parents based on their share of the combined income, and the noncustodial parent is then ordered to pay his or her share. In cases where a parent does not have income, however, and is voluntarily impoverished, potential income may be used (i.e., income may be imputed). In Maryland, the amount of income imputed is "determined by the parent's employment potential and probable earnings level based on, but not limited to, recent work history, occupational qualifications, prevailing job opportunities, and earnings levels in the community" (Md. Family Law Code Ann., § 12-201, 2014).

In practice, income imputation is sometimes used in cases when a parent is absent from court or participates in the process but is unemployed, working part-time, or does not provide proof of work history. In these cases, income is often imputed as if the parent was working full-time at minimum wage, as the assumption seems to be that everyone should be able to find a full-time, minimum wage job. However, some obligors' human capital deficits and today's labor market may give lie to this assumption.

Indeed, persistent high unemployment signals that, for many people, jobs of any sort have been scarce. At the recession's start in December 2007, there were about 1.8 jobseekers for each open job; only 18 months later, in June 2009, there were 6.2 unemployed people per job opening (Bureau of Labor Statistics, 2013). The ratio has gone down, but in mid-2013 there were still 3.1 jobseekers per

job opening and one million fewer jobs than before the recession. Part-time employment also increased as a result of the recession. About one in five employed adults now work part-time, due to fewer available full-time positions (Valletta & Bengali, 2013).

These things matter because child support order amounts are driven by parental income, actual or potential. It is then appropriate to wonder what happens in terms of payment compliance when support amounts are based on potential or imputed income. All else equal, it is plausible that imputed income orders have lower payment compliance. If this hypothesis is empirically supported, and if the incidence of imputed income cases is high, the state's ability to achieve federal performance mandates could be jeopardized.

In this report, we take an empirical look at cases with imputed income using a random sample of public (IV-D) child support cases. We examine payment outcomes over a two-year period for cases in which noncustodial parent income appears to be imputed. Then we compare them to payment outcomes in cases where actual income was used to calculate the amount of the support obligation. We address the following research questions:

1. What are the characteristics of cases where imputed income appears to have been used to calculate the support order amount, and how do they compare to the characteristics of cases where actual income was used?
2. What are the payment outcomes of imputed income cases, and how do they compare to payment outcomes in cases where actual income was used to set the order amounts? And how do they compare to outcomes in cases with actual low-incomes?

BACKGROUND

About one in four American children live in single-parent homes (Grall, 2011). These families could benefit from financial support by non-resident parents, especially since custodial parents' poverty rate is twice that of the general population (28% vs. 14%) (Grall, 2011). For poor, single-parent families, child support can be as much as 40 percent of annual income (Sorensen, 2010; Nicoli, Logan, & Born, 2012).

Since 1975, the public child support enforcement (CSE) program under Title IV-D of the Social Security Act has been a dominant force in child support policy in this county. The program's primary goal is to "encourage responsible parenting, family self-sufficiency and child well-being and to recognize the essential role of both parents in supporting their children" (OCSE, 2013). In federal fiscal year 2011, CSE distributed nearly \$27.3 billion to nearly 16 million cases and served more than 17 million children (OCSE, 2013).

To promote adequacy, efficiency, and equity, all states must use numeric guidelines to set support amounts. States have flexibility, but there are three general models: income shares, percentage of income, and the Melson formula (Morgan, 2013; Williams, 1987). Maryland and 37 other states use an Income Shares approach (Center for Policy Research, 2008; NCSL, 2013).

Regardless of the model, income of the non-custodial parent, or obligor, is always an element in the calculation of the support order amount. However, to ensure that all children are financially supported by both parents, states may impute income if a parent does not appear in court, provide financial information, or is underemployed or unemployed (Morgan, 2013; Legler, 2003; Roberts, 2001; Turetsky, 2000).

Imputed income, then, is unrelated to an obligor's documented ability to pay. Instead, the child support agency or court makes an assumption about how much the parent should or could potentially earn, and may impute income based on the best available information of recent work history, the current minimum

wage, the average state wage, or the parent's level of education and relevant skills. (Morgan, 2013; Roberts, 2001).

States generally calculate imputed income using full-time minimum wage levels (Legler, 2003; OIG, 2000; Turetsky, 2000). However, the imputation method varies from state to state and sometimes from court to court or agency to agency within a state. It is often difficult to tell from administrative data whether a support amount was calculated using actual or imputed income.

Some argue that orders based on imputed income result in unrealistic order amounts and in arrears accrual due to low payment compliance (Legler, 2003; Roulet, 2009). Other research shows that imputing income dramatically affects payment rates. The Office of the Inspector General (2000), for example, found that 44% of imputed income cases did not pay anything during the first 32 months, compared to 11% of non-imputed income cases. Similarly, obligors with orders based on imputed income were found to have a payment compliance rate of 19.9%, compared to 47.8% among other low-income obligors and 75.3% among high-income obligors (Takayesu, 2011).

Another criticism of income imputation has been that it disproportionately affects low-income obligors, because its use is common among obligors who have no or low income (Legler, 2003). Income imputation is intended to encourage full-time work and discourage underemployment, i.e., when a generally high wage earning obligor tries to lower his or her earnings during the order establishment processes, so that the support amount itself is lower. The reality, though, seems to be that income is more often imputed when the parent is unemployed, has little work experience, or has limited education (Legler, 2003; OCSE, 2006; Roberts, 2001).

Additionally, an Urban Institute study reported that the majority of obligors whose arrears exceeded \$30,000 either had no reported income or made less than \$10,000 per year at the time of order establishment (Sorensen, Sousa, & Schaner, 2007). Moreover, this

population of debtors owed 70 percent of all arrears, suggesting that the systemic practice of imputing income is inefficient and also detrimental to state performance on collections (Sorensen, et al., 2007). It has also been argued that parents are more willing to comply when the support obligation meets their ability to do so, that is, when the support amount is reasonable (Huang, Mincy, & Garfinkel, 2005).

Even when support order amounts are based on actual income, research shows many low-income obligors struggle to meet their support obligations. This is partially because child support guidelines used to determine order amounts are inherently regressive. Proportionately, child support obligations represent a larger portion of income for low-income obligors than they do for higher-earning obligors (Huang et al., 2005; OCSE, 2006; Sorensen, et al, 2007).

According to Sorensen & Oliver (2002), poor noncustodial parents are ordered to pay a significantly larger share of their incomes than are non-poor noncustodial parents. Obligor with annual income of \$15,800 or less are ordered to pay 27 percent of their earnings, on average, compared to an average of 16 percent for obligors earning \$28,501 or more per year (Huang et. al., 2005). Recent research by the Orange County Department of Child Support Services (2011) indicates that consistent payments are made when order amounts are 19% of gross income. Orders above the 19% threshold led to lower compliance, payment inconsistency, partial payments, and arrears accrual (Takayesu, 2011). A Maryland study finds similar results—that the ratio of order amount to income and support payments are inversely related (Saunders & Born, 2014).

Generally, income imputed at full-time minimum wage will yield a support amount greater than 19% of an obligor's "potential income." Thus, even if the obligor found full-time, minimum wage work, the order might still be unrealistic and result in nonpayment. It is certainly right that child support cover a child's basic needs, but it is also important that order amounts be practical for the obligor (Huang et al., 2005).

Sanctions for nonpayment of support have also become more stringent, and automation has facilitated their timely use. Sanctions such as asset seizure, tax refund intercepts, passport revocation or denial, incarceration, and professional and driver's license suspension are appropriate when the parent could pay, but is willfully non-compliant (Roulet, 2009). However, their use can impede a low-income parent's ability to earn income from employment. Most generally, sanctions are not likely to increase payment compliance when the parent is unable, not unwilling, to pay the support amount.

Not all enforcement actions are punitive, though. Maryland and other states have programs to help unemployed obligors find work as well as programs designed to reduce the amount of arrears that are owed to the state. These programs have shown some success in increasing child support payments (Born, Ovwigho, & Saunders, 2011; Lippold, Nichols, & Sorensen, 2011; Venohr, 2013).

Indisputably, child support can provide a significant portion of household income, especially in low-income, single-parent families. Likewise, policies to encourage and, when needed, to compel support payment by noncustodial parents are necessary and appropriate. However, empirical data suggest that when support amounts are based on imputed rather than actual income, payment compliance decreases and arrears accrue.

It is not surprising, then, that the federal Office of Child Support Enforcement discourages the use of imputed income and encourages states to consider alternatives (Cammett, 2005; OCSE, 2012; OIG, 2000). As an example, using enhanced customer service and outreach, the San Francisco County Child Support Agency was able to base nearly all orders on actual income data. In contrast, one in five cases without enhanced service had orders based on imputed income (OCSE, 2012).

Problems are inherent when support amounts are based on potential income, but the practice makes sense in certain situations. When the parent is voluntarily impoverished, setting a support amount based on potential income can

be the right thing to do. In Maryland, a finding of voluntary impoverishment is required before income can be imputed. A generally accepted definition of voluntary impoverishment in Maryland was first promulgated by Judge Levitz in *Goldberger v. Goldberger* (1993):

Accordingly, we now hold that, for purposes of the child support guidelines, a parent shall be considered “voluntarily impoverished” whenever the parent has made the free and conscious choice, not compelled by factors beyond his or her control, to render himself or herself without adequate resources.

Subsequent court decisions have modified this definition somewhat but the key notion—that voluntary impoverishment results from an act of free will—remains intact.

Courts, of course, have broad discretion in making case-specific findings about whether a parent is voluntarily impoverished and, if so, in deciding the amount of potential income to be imputed. As suggested, however, it seems that, over time, the practice has come to be used in a much broader range of situations than was intended. Specifically, it seems that when a parent is unemployed, some child support programs or tribunals routinely impute income at a full-time minimum wage level and

use this to calculate the support amount. The resulting amount becomes the ordered amount, absent evidence that it is unjust or inappropriate.

Available empirical data do not indicate that the use of income imputation has resulted in better outcomes for families or public child support programs. Undesirable side effects of the practice have been noted, however. These include creating unreasonable support burdens for obligors, fostering unrealistic expectations among custodial parents about how much financial support they will receive, and putting the public child support program at heightened risk of failing to meet federal performance mandates.

The pros, cons, policies, and politics of imputing income have long been subject to spirited debate, local practice has varied, and passions run high on both sides of the issue. Ultimately, however, our state needs reliable, empirical data about the outcomes associated with income imputation in order to assess if current income imputation practices or policies best serve Maryland’s families and the state’s public child support program.

The purpose of this study is to provide some baseline data about the use and outcomes of income imputation. Study findings should assist policymakers and program managers in ongoing deliberations about how and when the practice should be used when child support order amounts are established or modified.

METHODS

The stratified random sample of more than 5,000 Maryland IV-D cases analyzed in this study was drawn for the quadrennial, case-level review of the application of the child support guidelines for order establishment and modification. This chapter describes the study methodology of this review as well as the operational definition of an imputed income case for the present study.

Sample

The population of interest in the quadrennial review was all Maryland IV-D cases where a child support order was newly established or an existing support order was modified to change the current support amount between January 1, 2007 and December 31, 2010. The universe of cases meeting these criteria was identified by the authors from Child Support Enforcement System (CSES), the automated information management system of the Child Support Enforcement Administration, Maryland Department of Human Resources. Support orders associated with these cases were included in our sampling population if: (1) a current support order amount greater than \$0 first appeared in the administrative data during the study time period (new orders); or (2) there was a change in the current support order amount from one month to the next within the study period (modifications). We excluded orders changed to \$0 because this usually reflects that the case was closed or suspended.

In order to limit the study sample to orders where the Maryland child support guidelines schedule would presumably have been used, we excluded certain types of orders from the sampling frame: paternity only orders, provisional or temporary orders, some interstate orders, orders for destitute adults or indigent parents, and spousal support orders.¹ With these caveats and exclusions, our final sampling population consisted of 68,732 new or modified child support orders. A stratified,

random sample of 5,340 orders was selected for review. The large majority of sample orders were newly established (n=4,786, 89.6%) and the remainder (n=554, 10.4%) were modified. This sample size yields valid statewide results with a 95% confidence interval and a $\pm 5\%$ margin of error, the generally-accepted parameters.

Valid statewide results are important. However, while Maryland is small in size, it is very diverse and statewide findings often mask key intra-state variations. This is true in child support studies because caseloads are concentrated in jurisdictions with large populations (i.e., Baltimore City and the counties of Baltimore and Prince George's).

In order to yield findings valid at the jurisdiction level, we used stratified random sampling, so that smaller counties were over-sampled and larger jurisdictions were under-sampled. With this approach, each of the 24 jurisdictional samples yields valid results with a 90% confidence interval and a $\pm 6\%$ margin of error. In the statewide analyses, however, we used normative weighting so that the statewide sample does accurately reflect the true distribution of support orders across the 24 jurisdictions. The use of weights corrects for the under- and over-sampling, and ensures that each of Maryland's 24 local subdivisions accounts for the same percent of orders in our statewide study sample as it does of orders in the statewide population. Appendix A provides more information about the 2007 through 2010 universe of new and modified orders by jurisdiction, as well as the weighted and unweighted jurisdictional sample sizes.

Data Collection

Data collection for the quadrennial case-level guideline review project was a collaborative venture between local child support agencies in Maryland and the Family Welfare Research and Training Group at the University of Maryland's School of Social Work. University researchers randomly selected sample orders and case lists were shared with local child support agency managers. Using jointly-developed protocols, child support personnel in

¹ Non-IV-D orders that were established outside the IV-D system but included in the administrative data for wage-withholding and collection were also excluded.

the 24 jurisdictions located the case records containing the specified child support orders and their associated guidelines worksheets. These documents were photocopied and forwarded to the university research team. Upon receipt, the orders and worksheets were reviewed and abstracted, and data were entered into a customized SQL-server database, created specifically for use in the review project. SPSS was used to analyze the data.

Data Sources

In addition to data abstracted from the support orders and guidelines worksheets, administrative data was retrieved by the authors from two of the state's computerized management information systems. Each is briefly described below.

Child Support Enforcement System

The Child Support Enforcement System (CSES) contains statewide child support data and has been the automated information management system for the Maryland IV-D program since March 1998. CSES includes identifying information and demographic data on children, noncustodial parents, and custodial parents. Data on child support cases and court orders, including paternity status and payment receipt, are also available.

Maryland Automated Benefits System

Quarterly employment and earnings data come from the Maryland Automated Benefits System (MABS). MABS includes data from all employers covered by the state's Unemployment Insurance (UI) law and the unemployment compensation for federal employees (UCFE) program. Together, these account for about 91% of all Maryland civilian jobs. Independent contractors, commission-only salespeople, some farm workers, members of the military, most employees of religious organizations, and self-employed individuals are not covered by the law. Also, informal jobs—for example, those with dollars earned “off the books” are not covered.

MABS only covers in-state jobs. However, Maryland borders Delaware, Pennsylvania,

Virginia, West Virginia, and the District of Columbia, and out-of-state employment is common. In fact, the rate of out-of-state employment by Maryland residents (17.5%) is almost five times greater than the national average (3.8%)². Out-of-state employment is especially common among residents of two very populous counties (Montgomery 29.8%, and Prince George's, 42.4%). It is also common among residents of Cecil (31.1%) and Charles (34.6%) counties.

Finally, UI earnings data are reported on an aggregated, quarterly basis, so we do not know, for any given quarter, how much of that time period a person was employed (i.e. how many months, weeks, or hours). Thus, hourly wages or weekly or monthly salary cannot be inferred or computed from these data. Notably, too, the earnings we report may not represent total household income. This is because we have no information on other household members' earnings or data about other income available to the family.

Imputed Income: Operational Definition

There is no data field in CSES or on the guidelines worksheet that records whether actual or imputed income was used to determine the support order amount. In fact, to the best of our knowledge, there is simply no definitive way to distinguish an order based on imputed income from an order in which actual, documented income was used. According to anecdotal reports from local child support staff and results of an informal survey, the general practice in Maryland with regard to income imputation is to attribute income at full-time minimum wage.

We constructed our operational definition of imputed income orders based on the best available information. Thus, we define an order as having imputed income when the noncustodial parent has a monthly gross income equal to the hourly minimum wage in effect when the order was established or

² Data obtained from U.S. Census Bureau website <http://www.factfinder.census.gov> using the 2008-2010 American Community Survey 3-Year Estimates for Sex of Workers by Place of Work—State and County Level (B08007).

modified, multiplied by 40 hours per week multiplied by 4.33 weeks per month. The Maryland minimum hourly wage was updated several times during our study period (January 2007 through December 2010), but these hourly rate changes were taken into account in determining which study cases would be defined as having imputed income.

Table 1 presents information describing actual gross weekly and monthly incomes that would result from full-time work at the different hourly minimum wage rates that were in effect during the study time period. The total number of study cases designated as having imputed income under each of the different hourly wage rates is also shown.

This is an admittedly imprecise, although best-available, method to identify imputed income cases. Obviously, the method excludes any higher income cases where monthly gross income might have been imputed using other factors or thresholds. This limitation is acceptable for purposes of today’s analysis, however, because the policy and program concern in Maryland about income imputation largely centers on the low-income population.

Another possible limitation is that some of the individuals we count as having imputed gross

monthly incomes may actually have actual gross monthly incomes identical to our calculated values as shown in Table 1. It is almost certain that there are a handful of cases like this. It is much more likely that the vast majority of cases we define as imputed income cases actually did have their incomes imputed. The reason for this assertion is the specificity of our calculations. That is, we only define a case as having imputed income if the income amount appearing on the guidelines worksheet is identical to the amounts shown in Table 1. Second, local agency survey responses and other anecdotal evidence indicate that when income is imputed, the most common practice is assigning a potential gross monthly income based on full-time work at minimum wage.

Data Analysis

This report examines the characteristics and payment outcomes of noncustodial parents who have imputed income, comparing them to noncustodial parents for whom actual income was used to set the support order amount. Comparisons are made between groups, and when appropriate, chi-square and analysis of variance (ANOVA) statistics are used to test for statistically significant differences. We used a weighted sample for all statewide analyses.

Table 1. Gross Weekly & Monthly Income at Full-Time Minimum Wage

Date Range	Minimum Wage	Income Range	Number of Cases	Percent of Sample
Pre-June 2007	\$5.15	\$886 to \$894	2	0.04%
Jan 2007 – Jan 2008	\$6.15	\$1,058 to \$1,068	252	4.72%
Jul 2007 – Dec 2008	\$6.55	\$1,127 to \$1,137	74	1.39%
Jul 2008 – Dec 2010	\$7.25	\$1,247 to \$1,259	93	1.74%

Note: The date range includes a six-month period beyond the actual change in the minimum wage to allow caseworkers, judges, and masters to adjust to the updated minimum wage level. The income range is based on the fact that officials calculating the minimum wage may use different calculations such as 40 hours per week multiplied by 4 weeks versus 4.33 weeks.

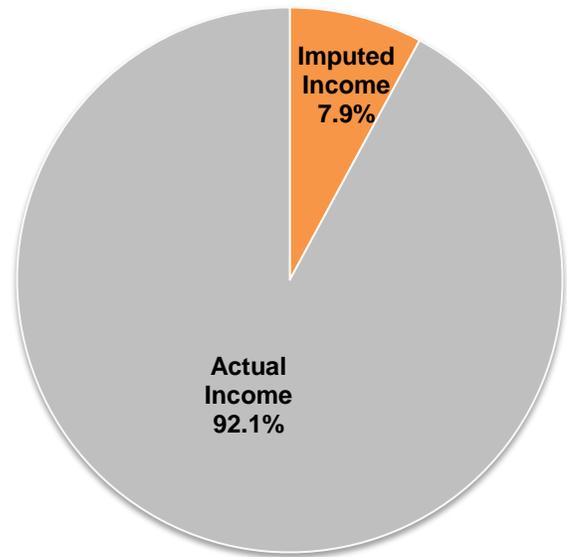
FINDINGS: CHARACTERISTICS OF NONCUSTODIAL PARENTS

In Maryland, child support obligations are determined by taking into account the incomes of both parents. Where there is a finding that a parent is voluntarily impoverished, the court may impute potential income based on recent work history, occupational qualification, prevailing job opportunities, and earnings levels in the community (Md. Family Law Code Ann., § 12-201, 2014).

Across the country, however, it is not uncommon for income to be imputed in cases where the noncustodial parent (NCP) is unemployed (OIG, 2000; Cammett, 2005; Takayesu, 2011). Typically in these cases, monthly income is imputed at the level that would be earned from full-time work at the prevailing minimum hourly wage. The underlying, if unstated, assumption is that all adults should be able to work full-time (i.e., 40 hours per week) and command at least minimum wage for each hour worked.

Results from an informal survey of local Maryland child support managers and conversations with them suggest that this practice is not uncommon in Maryland either. However, as one might expect, the large majority of Maryland support orders are based on actual, not imputed, income. As illustrated in Figure 1, less than ten percent (7.9%) of new and modified Maryland support orders between 2007 and 2010 were based on imputed potential income for the obligor. Instead, the very large majority (92.1%) of support order amounts were calculated using actual income.

Figure 1. Percent of Orders with NCP Imputed Income



Note: Sample size is weighted to account for sample stratification by jurisdiction.

Income Imputation by Jurisdiction

There is tremendous variation across Maryland, however, in the extent to which income imputation appears to be used. This point is clearly illustrated in Figure 2, in which jurisdictions varied considerably in the percentage of orders that appeared to use imputed income. In some places, less than two percent of orders included imputed income for the noncustodial parent; in other counties, more than 30% of orders appear to have imputed income for the noncustodial parent.

To illustrate, in a diverse group of nine counties (Prince George's, Calvert, Harford, Washington, St. Mary's, Baltimore, Montgomery, Carroll, and Howard) fewer than five percent of new and modified orders—that is less than 1 case in every 20—appeared to be based on income imputed to the non-custodial parent. In another diverse group of 12 counties (Garrett, Frederick, Talbot, Queen Anne's, Charles, Allegany, Cecil, Anne Arundel, Worcester, Wicomico, Kent, and Somerset), the use of potential income seemed to range between 5% and roughly 11% of cases with new or modified support orders.

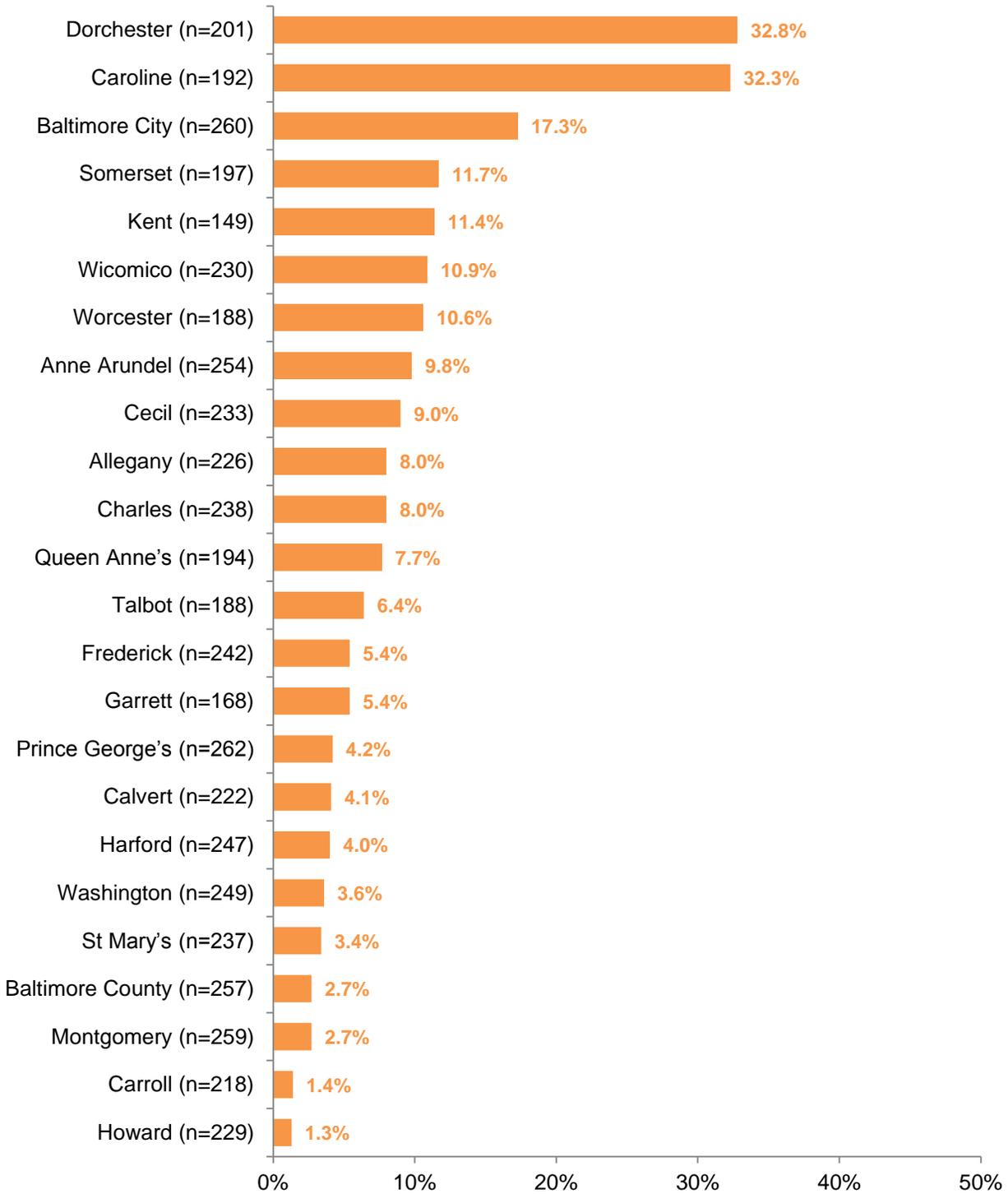
In Baltimore City, the rate of income imputation was slightly higher (17.3%). Even so, the data suggest that more than 8 in 10 (82.7%) Baltimore City orders established or modified from 2007 to 2010 were based on noncustodial

parents' actual, rather than imputed, incomes. The most dramatic finding shown in Figure 2 is that, relative to the rest of the state, two Eastern Shore counties (Dorchester and Caroline) appear to impute income at a very high rate. Roughly one of every three sampled orders in these two jurisdictions (Dorchester, 32.8% and Caroline, 32.3%) had noncustodial parent incomes that met our operational definition of income imputation (see the methods section for details on the definition).

These high rates of income imputation may be partly due to the unemployment rate in these two counties. In 2009 and 2010, Dorchester and Caroline counties (along with Baltimore City) had unemployment rates above the state and national averages (Bureau of Labor Statistics, 2011). Baltimore City and Dorchester County unemployment rates were also above state and national rates in 2007 and 2008 as well, covering the entire study period for this report.

Unemployment cannot explain all of the variation, however. Other counties, such as Allegany and Washington, also had above average unemployment rates during the study period, but they had much lower rates of income imputation, at 8% and 3.6% respectively. Almost certainly, the widely divergent rates of apparent income imputation reflect, to some degree, differences in local judicial or local support agency philosophy across the state.

Figure 2. Percent of Orders with NCP Imputed Income by Jurisdiction***



Note: Data is valid at the jurisdictional level with a 90% confidence level and $\pm 6\%$ margin of error. *p<.05 **p<.01 ***p<.001

Noncustodial Parent Characteristics

One concern about income imputation is that it may disproportionately affect low-income parents. In fact, policy discussions related to low-income obligors indicate that income imputation is a very challenging issue, resulting in low payment compliance and increased arrears (Cammett, 2005; Legler, 2003; OCSE, 2006; OIG, 2000; Roberts, 2001; Turetsky, 2000).

Income imputation among low-income obligors may result in low payment compliance and increased arrears.

It would be useful for case managers to know if and how cases with imputed income differ from cases where actual income is used to set the support amount. We provide some empirical information on this topic in Tables 2 and 3. Table 2 presents certain descriptive information about noncustodial parents, and Table 3 provides some information about their child support cases. Findings are presented for the entire sample and, separately, for imputed and actual income cases.

For the entire sample, the typical non-custodial parent for whom a support order amount was established or modified between 2007 and 2010 is an African American (61.0%) man (88.9%) who, on average, is in his-mid thirties (average=33.95 years). The typical noncustodial parent worked (69.3%) in the year before the establishment or modification of the order. Average annual earnings among those who worked were \$26,601, and median, or midpoint,³ earnings were \$20,620.

³ Averages can be skewed by extreme values at either end of a set of data. This is common when examining earnings data, since a handful of high earners can skew average earnings upwards. In these circumstances, the median, defined as the middle point of a set of values, can be a better representation of the data.

There are statistically significant differences on all variables between noncustodial parents for whom income was imputed and those for whom actual income was used. Generally, noncustodial parents with imputed income are more likely to be female (18.6% vs. 10.3%), African American (68.4% vs. 60.3%) and younger, by about five years, on average (29 vs. 34).

It is on this last characteristic that the difference between our two groups is most dramatic. More than twice as many noncustodial parents in the imputed income group are 25 years of age or younger. Specifically, nearly one of every two (46.1%) are no older than 25, compared to just one in five (20.2%) noncustodial parents in the actual income group.⁴

There are also significant differences between imputed and actual income cases with regard to employment and earnings. Imputed income obligors were significantly less likely to have worked in the past year (57.3% vs. 70.4%) and, on average, when they did work, they worked in fewer quarters of the year (2.71 vs. 3.28).

The difference in average annual earnings among those who worked was not only statistically significant, but sizable in actual magnitude as well. In fact, obligors with imputed income earned nearly \$20,000 less, on average, than obligors for whom actual income had been used to establish or modify the support order amount (\$8,807 vs. \$27,840).

Median annual earnings figures paint the same picture: median annual earnings for those in the imputed income group were \$4,386 compared to \$22,437 for those in the actual income group. These substantial earnings disparities exist among working obligors even though imputed income obligors worked only marginally fewer quarters over the year, on average, than did those in the actual income cohort.

⁴ NCPs in cases involving imputed income were also less likely to live outside Maryland (9.0%) than were NCPs associated with cases where actual income was used (15.3%).

To some extent, these employment figures are not surprising given the demographic profile of the noncustodial parents in our sample. African American men tend to have disproportionately lower incomes than white males, and younger men tend to have lower incomes than older men, simply based on work experience and

education (Hamilton, Austin, & Darity, 2011; Bureau of Labor Statistics, 2012). However, demographics cannot explain all differences between our two study groups because the large majority of obligors in both the actual and imputed income groups are African American males.

Table 2. Noncustodial Parent Demographic Characteristics

	Imputed Income (n=421)	Actual Income (n=4,919)	Total Sample (n=5,340)
Gender***			
Female	18.6% (72)	10.3% (408)	11.1% (479)
Male	81.4% (315)	89.7% (3,530)	88.9% (3,845)
Race***			
African American	68.4% (249)	60.3% (2,199)	61.0% (2,449)
Caucasian	30.1% (110)	33.4% (1,217)	33.1% (1,327)
Other	1.6% (6)	6.3% (231)	5.9% (237)
Age***			
16 - 19 years	6.8% (28)	2.1% (103)	2.5% (131)
20 - 25 years	39.3% (163)	18.1% (881)	19.8% (1,045)
26 - 30 years	18.8% (78)	19.1% (932)	19.1% (1,010)
31 - 35 years	14.4% (60)	19.6% (954)	19.2% (1,014)
36 and older	20.7% (86)	41.1% (2,003)	39.5% (2,089)
Average [Median]***	29.34 [26.87]	34.35 [33.42]	33.95 [32.79]
Resides Out-of-State**	9.0% (34)	15.3% (716)	14.8% (750)
Employment & Earnings¹***			
Percent Working	57.3% (237)	70.4% (3,407)	69.3% (3,644)
Average [Median] Quarters Worked**	2.71 [3]	3.28 [4]	3.24 [4]
Average [Median] Annual Earnings***	\$8,807 [\$4,386]	\$27,840 [\$22,437]	\$26,601 [\$20,620]

Note: Sample size is weighted to account for sample stratification by jurisdiction. Due to missing data, counts may not add to total sample size. Valid percentages are reported. *p<.05 **p<.01 ***p<.001

¹Employment is based on work in a Maryland UI-covered job in year before the determination of the obligor's child support order. Annual earnings are total earnings among the employed obligors. Wages are standardized to 2012 dollars.

Case Characteristics

Maryland uses an income shares approach to set support amounts. That is, the custodial parent's income is also taken into account to arrive at the total amount of parental support and each parent's proportionate share of the total obligation. However, under Maryland law, income does not include benefits from means-tested public assistance programs, including such programs as Temporary Cash Assistance

(TCA), Supplemental Security Income, and Supplemental Nutrition Assistance (formerly Food Stamps). Nonetheless, TCA recipients are required to cooperate with child support as a condition of benefit receipt. In Table 3, we present information on two variables relevant to the custodial parent side of the support award amount determination process.

The first variable is whether imputed or actual income was used on the custodial parent side

of the guidelines calculation worksheet. The second is the custodial parent's status on receipt of TCA when the support order was determined. Custodians could be current TCA recipients, former TCA recipients, or have never received TCA in Maryland. For all sample cases, Table 3 shows that, overwhelmingly, custodians did not have imputed income (92.3%). Moreover, the large majority of custodial parents (86.0%) were not current recipients of TCA, although a bit more than two-fifths (44.8%) of them had received aid at some point in the past.

The picture differs dramatically, however, when we look separately at cases where the noncustodial parent's income was imputed and those for whom actual income was used to determine the order amount. These differences are both statistically significant and quite sizable in absolute terms.

Where the noncustodial parent's income had been imputed, we find that two of every five (39.6%) custodial parents also appear to have imputed, rather than actual, income. In stark contrast, only 5.0% of custodial parents associated with cases where actual non-custodial parent income was used appeared to

have imputed incomes. The determination of child support orders uses the combined income of both parents, so when both parents have imputed income the noncustodial parent has an even higher order amount.⁵

Also, twice as many custodial parents associated with cases where the noncustodial parent's income had been imputed were current TCA recipients, compared to custodians who were associated with actual income cases (26.9% vs. 12.8%). Furthermore, about two-fifths (42.6%) of custodians associated with actual income cases had no TCA history, compared to only one in four (25.1%) in the imputed income group. Considered together, these findings lend credence to the notion that income imputation is a practice that is not uncommon when one or both parents are of limited means.

⁵ For example, under the current Maryland guidelines, if the noncustodial parent's income is imputed at full-time minimum wage (\$1,256 per month) and the custodial parent's income is \$0, then the basic order amount for the noncustodial parent would be \$195 per month for one child. On the other hand, if both parents' incomes are imputed at full-time minimum wage (\$2,512 per month), then the noncustodial parent's basic order amount would be \$243 per month for one child.

Table 3. Case Characteristics

	Imputed Income (n=421)	Actual Income (n=4,919)	Total Sample (n=5,340)
Custodial Parent has Imputed Income***			
Yes	39.6% (166)	5.0% (244)	7.7% (410)
No	60.4% (254)	95.0% (4,676)	92.3% (4,930)
Case TCA Status***			
Current Assistance	26.9% (112)	12.8% (626)	13.9% (738)
Former Assistance	48.0% (200)	44.6% (2,178)	44.8% (2,378)
Never Assistance	25.1% (104)	42.6% (2,082)	41.2% (2,187)

Note: Sample size is weighted to account for sample stratification by jurisdiction. Due to missing data, counts may not add to total sample size. Valid percentages are reported. *p<.05 **p<.01 ***p<.001

Finally, Table 4 presents several aspects of the support orders themselves, first profiling all sample cases and then comparing imputed income cases with actual income cases.

For the combined sample, we find that about three-quarters (74.1%) of orders involved only one child, virtually all (95.6%) were sole custody cases, and 7 in 10 (70.3%) order amounts did not deviate from the guidelines-calculated amount. The average monthly support order amount per order was \$400, and the average per child amount was \$320.

In terms of adjusted monthly gross income,⁶ noncustodial parents in our sample averaged \$2,332, with median incomes several hundred dollars lower (\$1,733). Average (\$1,955) and median (\$1,538) adjusted monthly gross incomes among custodial parents associated with sample cases were comparable but lower on both measures by a few hundred dollars.

There are clear and statistically significant differences on all but one variable (the noncustodial parent's share of total adjusted parental income) when we compare imputed income orders to actual income orders. More specifically, support order amounts were much lower, on average, when income was imputed (\$211) than when actual income was used (\$416). The average per-child support amount was also significantly lower in imputed income cases (\$181) than in actual income cases (\$332).

Noncustodial parents with orders based on imputed income were significantly more likely to have order amounts that did not deviate from the guidelines-calculated amount than were those whose orders were based on actual incomes (80.7% vs. 69.4%).⁷ Although sole custody situations predominated in both groups, use of the sole custody worksheet to calculate support was slightly more common

among imputed income cases (98.4%) than among actual income cases (95.3%). Although the percentages are quite small, it is perhaps worth noting that the percentage of joint custody cases among actual income cases (2.8%) is more than double that observed among imputed income cases (1.3%).

When income is imputed for noncustodial parents, it is much more likely that the custodial parent will also have imputed income.

In terms of the income of custodial and noncustodial parents, Table 4 shows that the average and midpoint amounts are lower among imputed income cases than among actual income cases. These findings are not surprising. First, by definition, all imputed income obligors had potential monthly incomes of less than \$1,500 (based on full-time work at the prevailing minimum wage).

Second, we saw previously that when income is imputed for noncustodial parents, it is much more likely that the custodial parent will also have income imputed. As shown in Table 3, the rate of income imputation for custodial parents is about eight times greater (39.6%) when noncustodial parents' incomes are imputed than when actual noncustodial parent incomes are used (5.0%).

The average income of obligors with actual income is \$2,438, compared to \$1,088 for noncustodial parents with imputed income. Median incomes are not as far apart, at \$1,905 in actual income cases and \$1,066 in imputed income cases. Perhaps the most notable finding is that nearly two in five (36.9%) noncustodial parents had actual incomes of less than \$1,500 per month. This implies that among a large minority of cases, there was a practical and philosophical understanding of child support payment capacity and that order amounts should be reasonable to noncustodial parents' earnings.

⁶ This is the income used on the guidelines worksheet to determine the order amount. It may be based on earnings if actual income was used, but is based on potential income in the cases of imputed income.

⁷ For more information related to deviations from the guidelines, review our reports here: <http://www.familywelfare.umaryland.edu/csguidelinesreports.htm>

Custodial parent income figures exhibit the same pattern as that of noncustodial parents. Specifically, the custodial parents associated with the imputed income obligors had a monthly, adjusted income of \$1,165, on

average. This income is about \$850 less than the average among custodial parents (\$2,023) associated with obligors who had actual earned income.

Table 4. Current Support Order

	Imputed Income (n=421)		Actual Income (n=4,919)		Total Sample (n=5,340)	
Current Support Amount per Order						
Average [Median]***	\$211	[\$191]	\$416	[\$349]	\$400	[\$329]
Current Support Amount per Child						
Average [Median]***	\$181	[\$175]	\$332	[\$282]	\$320	[\$267]
Number of Children per Order**						
1	80.7%	(338)	73.6%	(3,603)	74.1%	(3,941)
2	16.2%	(68)	20.7%	(1,012)	20.3%	(1,080)
3 or more	3.1%	(13)	5.8%	(283)	5.6%	(296)
Average [Median]**	1.24	[1.00]	1.34	[1.00]	1.33	[1.00]
Deviation Status***						
No Deviation	80.1%	(337)	69.4%	(3,416)	70.3%	(3,753)
Deviation (Upward/Downward)	18.9%	(79)	23.8%	(1,172)	23.4%	(1,251)
Above/Below Guidelines Schedule	1.0%	(4)	6.7%	(332)	6.3%	(336)
Worksheet Type***						
Sole Custody	98.4%	(413)	95.3%	(4,690)	95.6%	(5,103)
Joint Custody	1.3%	(6)	2.8%	(135)	2.6%	(140)
Other	0.4%	(2)	2.0%	(95)	1.8%	(97)
Noncustodial Parent Monthly Adjusted Income***						
No income	0.0%	(0)	0.3%	(15)	0.3%	(15)
Less than \$1,500	100.0%	(421)	36.9%	(1,813)	41.8%	(2,234)
\$1,500 to \$2,000	0.0%	(0)	15.9%	(783)	14.7%	(783)
\$2,000 to \$2,500	0.0%	(0)	10.6%	(521)	9.7%	(521)
\$2,500 to \$3,000	0.0%	(0)	9.8%	(481)	9.0%	(481)
\$3,000 or more	0.0%	(0)	26.5%	(1,306)	24.4%	(1,306)
Average [Median]***	\$1,088	[\$1,066]	\$2,438	[\$1,905]	\$2,332	[\$1,733]
Percent of Family Income	58.1%	[50.0%]	58.4%	[53.6%]	58.4%	[52.8%]
Average [Median]						
Custodial Parent Adjusted Income						
Average [Median]***	\$1,165	[\$1,066]	\$2,023	[\$1,642]	\$1,955	[\$1,538]

Note: Sample size is weighted to account for sample stratification by jurisdiction. Due to missing data, counts may not add to total sample size. Valid percentages are reported. *p<.05 **p<.01 ***p<.001

FINDINGS: PAYMENT OUTCOMES

The preceding chapter makes it clear that there are important, statistically significant differences between noncustodial parents whose incomes appear to have been imputed at full-time minimum wage and those whose actual incomes were used. Specifically, noncustodial parents in imputed income cases are younger, more likely to be African American, more likely to be female, and less likely to have worked in the year before order establishment or modification. Additionally, the custodial parents associated with these cases are likely to be low-income and are significantly more likely to be receiving cash assistance.

The main focus of this study, however, is to determine if child support payment outcomes differ depending on whether actual or imputed income was used in setting the support amount. In this chapter, we look at the percent of current support due that was actually paid during the first and second years after the support order determination.

We also compare first and second year payment outcomes in imputed income cases to those for cases where actual income was used, but the income was low (i.e., \$1,260 or less per month). As discussed previously, all imputed income cases are, by operational definition, low-income cases. Therefore, determining if their payment outcomes differ from those of other low-income obligors helps us to understand if income type (actual or imputed) or low-income (whether actual or imputed), seems to matter most in terms of child support compliance.

Payment Outcomes by Imputed and Actual Income

Table 5 provides information about the payment outcomes of cases based on imputed potential income and actual earned wages. Virtually all noncustodial parents in the sample (97.2%) owed current support during the first year after their orders were established or modified and the percentages owing support were nearly identical among imputed income cases (96.9%) and actual income cases (97.2%).

Noncustodial parents in actual income cases, however, had significantly more current support due in the first year, on average, than did parents for whom imputed income had been used to set the support amount (\$4,924 vs. \$2,545). This finding is not unexpected, given that average monthly support amounts in actual income cases were also significantly higher than those associated with imputed income cases (\$416 vs. \$211).

The key question of interest, of course, concerns the percentage of support that was actually paid during the first year after the determination of the support order and if this varies between actual and imputed income cases. First and foremost, it is heartening to find that 9 in 10 (89.4%) obligors did pay at least some of the support due. For the sample as a whole, we find that nearly half (47.1%) of all obligors paid more than 75 percent of that which was due. On average, 60% of current support due in year one was paid.

The percent who paid nothing at all was more than twice as high for orders using imputed income than for orders using actual income.

There are obvious and statistically significant differences between imputed income and actual income cases on all first year outcome measures. More specifically, on all measures, the outcomes in imputed income cases are less positive than the outcomes in actual income cases. One marked difference lies in the percent of cases in which no support was paid at all. The percent who paid nothing was more than twice as high for orders using imputed income than for orders using actual income (25.9% vs. 9.3%). At the other extreme, less than one in five (16.7%) imputed income obligors paid more than 75 percent of the current support due during the first year; half (49.7%) of actual income cases paid that much.

Another way to illustrate the vast and statistically significant differences between the two groups is this: roughly half (54.1%) of non-custodial parents with imputed income paid 25 percent or less of annual support due, while half (49.7%) of noncustodial parents whose orders were based on actual income paid more than 75 percent of all current support due. On average, about one-third (32.9%) of total current support due in the first year was paid when income was imputed, compared to an average of 62.4% when actual income had been used.

Between the first year after order determination and the second, there was a slight drop in the percent of cases with support due (from 97.2% to 89.1%), but there were no difference between the two groups. All other findings comport with those from the first year. There are statistically significant differences in the percent of cases paying nothing, the percent paying more than 75 percent of support due, and the average percentage of total current support paid. On all three measures, outcomes in actual income cases were better than the outcomes among imputed income cases.

The share of imputed income obligors paying nothing in the second year after order determination was more than three times larger than among actual income cases (35.4% vs. 11.6%). This represents a 10 percentage point increase in \$0 payers among imputed income cases compared to the year before (from 35.4% to 25.9%). In contrast, the increase in \$0 payers among actual income cases was only 2 percentage points (from 9.3% to 11.6%). On the other hand, just over half (52.8%) of actual income cases paid more than 75 percent, compared to not quite one in three (30.7%) imputed income cases.

Similar with the findings from the first year after order determination, noncustodial parents with imputed income paid an average of one-third (32.4%) of their current support obligation, compared to nearly two-thirds (63.4%) among those with actual income. The median statistic is most revealing here, however. The median is 8% when income is imputed and 80% in actual income cases. In other words, half of all imputed income cases paid 8% or less of the total obligation while half of all actual income cases paid more than 80% of their total support obligation (and half paid less).

These findings are consistent with those from the U.S. Department of Health and Human Services (2000), in which 3 in 10 obligors with imputed income did not have a payment in the first follow-up year compared to only 5.3% of those with actual wages. In the second follow-up year, 39.1% of obligors with imputed income did not make a payment, compared to 7.1% of obligors with actual incomes.

The findings are also worrisome, particularly the trend of an increasing share of imputed income cases making no payments during the second year. Most bluntly put, current support collection is a critically important federal performance measure with double-barreled fiscal implications.⁸ A state's performance on this measure not only affects the amount of federal incentive dollars that can be earned, but it also is a federal measure on which a state must achieve specific performance thresholds in order to avoid fiscal penalty (Solomon-Fears, 2013). The penalty, if imposed, is levied against the state's Temporary Assistance to Needy Families (TANF) block grant and ranges from 1% to 5%; in Maryland this would translate to sums ranging from \$229,000 to \$1,450,000.

⁸ State performance on the current collections measure is calculated by dividing the total dollars collected for current support in cases in the IV-D caseload by the total amount owed on support in these cases which is not past due.

Table 5. Payment Outcomes by Income Type

		Imputed Income (n=421)	Actual Income (n=4,919)	Total Sample (n=5,340)
First Follow-up Year	Percent with Current Support Due	96.9% (408)	97.2% (4,784)	97.2% (5,192)
	Amount of Current Support Due			
	Average [Median]***	\$2,545 [\$2,318]	\$4,924 [\$4,068]	\$4,737 [\$3,900]
	Percent of Current Support Paid***			
	0%	25.9% (106)	9.3% (443)	10.6% (549)
	1-25%	28.2% (115)	12.9% (617)	14.1% (732)
	26-50%	16.4% (67)	13.1% (628)	13.4% (695)
51-75%	12.8% (52)	15.0% (716)	14.8% (768)	
76-100%	16.7% (68)	49.7% (2,379)	47.1% (2,447)	
Average [Median]***	32.9% [22%]	62.4% [75%]	60.1% [72%]	
Second Follow-up Year	Percent with Current Support Due	88.2% (371)	89.2% (4,386)	89.1% (4,758)
	Amount of Current Support Due			
	Average [Median]***	\$2,637 [\$2,352]	\$4,891 [\$4,068]	\$4,715 [\$3,900]
	Percent of Current Support Paid***			
	0%	35.4% (132)	11.6% (509)	13.5% (640)
	1-25%	23.0% (85)	12.2% (533)	13.0% (619)
	26-50%	10.8% (40)	12.3% (539)	12.2% (579)
51-75%	9.1% (34)	11.2% (491)	11.0% (524)	
76-100%	21.6% (80)	52.8% (2,315)	50.3% (2,395)	
Average [Median]***	32.4% [8%]	63.4% [80%]	61.0% [76%]	

Note: Data is weighted to account for sample stratification by jurisdiction. Cases with no current support due are excluded from the analyses. Valid percentages are reported. *p<.05 **p<.01 ***p<.001

Payment Outcomes for Low-Income Obligor

Low-income obligors tend to have demographic characteristics similar to those found among TANF caseheads (Cammett, 2005; Legler, 2003; OCSE, 2006; Sorensen & Zibman, 2001). In particular, low-income obligors are likely to have limited human capital, such as low educational attainment or little work experience, relative to the general population. When employment is obtained, it is more likely to be in fields that tend to pay poorly and have few barriers to entry. In other words, their employment tends to be in low-skilled jobs. Noncustodial parents of limited

means may also experience other barriers to employment such as health issues, lack of access to transportation, or criminal backgrounds. Therefore, low-income obligors, in general, may be less able to meet their child support obligations for any number of reasons. If this is the case, then the payment outcomes we reported in the preceding analysis could be a result of the noncustodial parents' impoverishment, rather than because potential, rather than actual, income was used to set the support order amounts.

To address this issue, Table 7 provides findings about payment outcomes among obligors with actual incomes that are similar to

the incomes imputed to obligors. In other words, we look to see if payment outcomes are the same or different among low-income obligors, depending on whether or not actual or imputed income amounts were used to arrive at the support order amount.

First, however, Table 6 provides information on the income and support order amounts of low-income obligors with imputed income and of obligors with comparable, but actual income. Low-income obligors in this analysis are those with actual monthly incomes between \$100 and \$1,260. The (potential) incomes of obligors with imputed incomes range between \$893 and \$1,256 depending on the hourly minimum wage that was in effect when the support order was established or modified (see the methods section for more details).

Low-income obligors whose incomes were imputed have average gross monthly incomes that are about \$150 higher, on average, than low-income obligors whose orders were based on their actual incomes (\$1,229 vs. \$1,081). The medians, however, are almost identical (\$1,135 in actual income cases and \$1,066 in imputed income cases).⁹ Both groups of low-income obligors have nearly identical monthly support obligations, as well. The average support amount for obligors with imputed income is \$211, compared to \$210 among actual low-income obligors.

Differences become apparent when we look at payment outcomes, however. As Table 7 shows, despite their low-incomes, about three-fourths of obligors with imputed income and those with documented low income made at least one payment in the first year after order determination. However, more than one-third (36.3%) of low-income obligors paid more than 50 percent of their obligation compared to 3 in 10 (29.5%) obligors with imputed income. Low-income obligors were somewhat more likely to pay a larger percentage of the total support that was due, with an average collection rate of 38.2%, compared to 32.9% among imputed income obligors.

While the average collection rates remained stable into the second follow-up year between the low-income and imputed income obligors (38.7% and 32.4%, respectively), significantly more obligors with imputed income paid nothing toward their obligation. More than one-third (35.4%) of imputed income obligors made no payments in the second year compared to one-quarter (26.6%) of low-income obligors. Furthermore, the median payment compliance rate suggests that there are few obligors making regular payments; the median payment compliance of imputed income obligors was 8% compared to 27% of low-income obligors.

⁹ Patterns are essentially the same with regard to adjusted monthly incomes. The average is a little higher (by \$46) in imputed cases than in actual cases (\$1,088 vs. \$1,042), and the median amounts differ by \$34 (\$1,066 vs. \$1,100).

Table 6. Income and Support Orders for Noncustodial Parents with Comparable Income

	Imputed Income (n=421)	Low Income Obligors (n=1,234)	Total (n=1,655)
Monthly Gross Income			
Average [Median]***	\$1,229 [\$1,066]	\$1,081 [\$1,135]	\$1,091 [\$1,135]
Range	\$893 – \$1,256	\$100 – \$1,260	\$100 – \$1,260
Monthly Adjusted Income			
Average [Median]***	\$1,088 [\$1,066]	\$1,042 [\$1,100]	\$1,088 [\$1,066]
Range	\$507 – \$1,256	\$100 – \$1,260	\$100 – \$1,260
Current Support Amount per Order			
Average [Median]	\$211 [\$191]	\$210 [\$196]	\$211 [\$196]
Current Support Amount per Child			
Average [Median]	\$181 [\$175]	\$176 [\$180]	\$176 [\$179]

*p<.05 **p<.01 ***p<.001

Table 7. Payment Outcomes for Noncustodial Parents with Comparable Income

	Imputed Income (n=421)	Low Income Obligors (n=1,234)	Total (n=1,655)	
First Follow- up Year	Percent with Current Support Due	96.9% (408)	96.3% (1,189)	96.5% (1,597)
	Amount of Current Support Due			
	Average [Median]	\$2,545 [\$2,318]	\$2,498 [\$2,352]	\$2,510 [\$2,352]
	Percent of Current Support Paid			
	0%	25.9% (106)	23.3% (277)	24.0% (383)
	1-25%	28.2% (115)	23.4% (279)	24.7% (294)
	26-50%	16.4% (67)	16.9% (201)	16.8% (268)
51-75%	12.8% (52)	14.4% (171)	14.0% (224)	
76-100%	16.7% (68)	21.9% (261)	20.6% (329)	
Average [Median]**	32.9% [22%]	38.2% [30%]	36.9% [27%]	
Second Follow- up Year	Percent with Current Support Due	88.2% (371)	84.9% (1,048)	85.7% (1,419)
	Amount of Current Support Due			
	Average [Median]***	\$2,637 [\$2,352]	\$2,543 [\$2,376]	\$2,568 [\$2,352]
	Percent of Current Support Paid**			
	0%	35.4% (132)	26.6% (279)	28.9% (410)
	1-25%	23.0% (85)	22.5% (236)	22.7% (322)
	26-50%	10.8% (40)	15.6% (163)	14.3% (203)
51-75%	9.1% (34)	11.0% (115)	10.5% (149)	
76-100%	21.6% (80)	24.3% (255)	23.6% (335)	
Average [Median]**	32.4% [8%]	38.7% [27%]	37.1% [24%]	

Note: Low-income obligors are those with income less than \$1,260. Data is weighted to account for sample stratification by jurisdiction. Cases with no current support due are excluded from the payment analyses. Valid percentages are reported.

*p<.05 **p<.01 ***p<.001

CONCLUSIONS

The practice of imputing income has its place among noncustodial parents who intentionally lower their earnings to avoid a high child support obligation. However, among low-income obligors who tend to have limited education and work experience, the practice of income imputation is punitive. It results in unrealistic child support orders for noncustodial parents who may be unemployed or working part-time. These unrealistic obligations result in low payment compliance—about 33% for this sample—and a high percentage of non-payers—more than 25% for this sample. Additionally, arrears accrue as these orders are not fully met. Fortunately, at the statewide level, less than one in ten noncustodial parents had their income imputed, although it was substantially higher in three jurisdictions.

Nonetheless, we also found that the likelihood of income imputation for custodial parents was higher when they were on cases where the noncustodial parent's income was also imputed. This further suggests that income imputation is used among families with lower means. Even more, the income imputation of both parents' income results in a substantially higher order amount for the noncustodial parent than if the custodial parent's income was listed at \$0. This makes the order amounts for noncustodial parent with imputed income even more unrealistic.

It would make practical and policy sense to consider alternatives to the practice of income imputation. One option is to use, whenever possible, actual wages to determine a noncustodial parent's obligation. These actual wages should be used even if the noncustodial parent is working less than full-time. It is important to understand that full-time minimum wage is not always possible, especially with the persistent high unemployment that accompanied the Great Recession. Additionally, for parents with limited human capital, it may be more difficult to obtain that level of work.

There is a caveat to this option, however. When we examined the payment outcomes of low-income obligors whose actual low income was used in the determination of the child support obligation, we found that they had paid only slightly more child support, although the difference was statistically significant. The fact that these low-income obligors only paid about two-fifths of their obligations, even though their actual income was used, may suggest that the guidelines matrix itself does not result in a "reasonable" obligation for low-income obligors. In fact, research has found that a child support obligation that represents approximately 20% of the noncustodial parent's actual earnings results in higher payment compliance (Huang et al., 2005; Takayasu, 2011).

Also, a recent Maryland report found that noncustodial parents who paid less than half of their current support obligation were expected to pay more than 50% of their actual earnings in child support; however, they only paid about 30% of their earnings (Hall, Passarella, & Born, 2014). Hence, the solution to creating a reasonable obligation for low-income noncustodial parents, in general, may require some different tools, but could include establishing a maximum order amount that does not exceed a certain percentage of a low-income noncustodial parent's actual earnings.

A second alternative to imputing noncustodial income is the use of minimum orders. Unfortunately, noncustodial parents may be unemployed at the time of the order establishment or modification. In fact, they may have been unemployed for a substantial period of time. In these cases, where there is no actual earned income on which to base a child support obligation, it may be wise to require some minimum order amount. This option still maintains the overarching premise of child support—that both parents are responsible for the financial support of their children—but it does not require an obligation that is unlikely to

be fully paid. Certainly, if the noncustodial parent obtains employment and those wages can be documented, then a modification should be made to adjust the obligation.

Employment programs that assist non-custodial parents with resume writing, job search, education, and training as well as job placement can also be beneficial. Once noncustodial parents become employed, they will be able to meet their obligations. This is obviously important for noncustodial parents who are willing to pay their obligation, but, due to their employment circumstances, are unable to do so. In fact, there has been some research that supports the effectiveness of such programs (Born, et al., 2011; Lippold, et al, 2011).

While these alternatives to imputed income may not be the answer in all cases, it is certain that there must be some change made for the noncustodial parents affected by this inefficient practice. These noncustodial parents are responsible for the financial support of their children and should be held accountable for either their share of actual income or for some minimum order amount. It is especially important, though, to avoid automatic \$0

orders in lieu of imputed income because two out of every three noncustodial parents still made at least one payment toward their child support.

Whether the solution to imputed income is minimum orders, an order based on a percentage of income, or some other policy, it is clear that the imputation of income among low-income obligors is counterproductive. Noncustodial parents with imputed income are less likely to make any payments, and among those who do pay, only one-third is paid. They also accrue an arrears balance that they are unlikely to manage. Furthermore, these noncustodial parents are more likely to have a case with a low-income custodian, and the receipt of child support may keep the family above poverty. The findings from this report support the need for a solution to imputing income when a parent is unemployed or working part-time. Investing in such a solution can increase payment compliance, thereby expanding the long-term positive effects of financial support for the lives of Maryland's children and families.

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APPENDIX A: SAMPLE SIZE BY JURISDICTION

	2007-2010 Universe		2007-2010 Sample		2007-2010 Weighted Sample	
	#	% of Total	#	% of Total	Applied Weight	Weighted Sample Size
Allegany	1,466	2.13%	226	4.23%	0.504	114
Anne Arundel	4,569	6.65%	254	4.76%	1.398	355
Baltimore County	6,283	9.14%	257	4.81%	1.899	488
Calvert	1,305	1.90%	222	4.16%	0.457	101
Caroline	688	1.00%	192	3.60%	0.278	53
Carroll	1,173	1.71%	218	4.08%	0.418	91
Cecil	1,885	2.74%	233	4.36%	0.629	146
Charles	2,122	3.09%	238	4.46%	0.693	165
Dorchester	812	1.18%	201	3.76%	0.314	63
Frederick	2,710	3.94%	242	4.53%	0.870	211
Garrett	452	0.66%	168	3.15%	0.209	35
Harford	3,187	4.64%	247	4.63%	1.002	248
Howard	1,602	2.33%	229	4.29%	0.544	124
Kent	357	0.52%	149	2.79%	0.186	28
Montgomery	6,220	9.05%	259	4.85%	1.866	483
Prince George's	11,777	17.13%	262	4.91%	3.492	915
Queen Anne's	696	1.01%	194	3.63%	0.279	54
St Mary's	1,908	2.78%	237	4.44%	0.625	148
Somerset	746	1.09%	197	3.69%	0.294	58
Talbot	628	0.91%	188	3.52%	0.260	49
Washington	3,481	5.06%	249	4.66%	1.086	270
Wicomico	1,698	2.47%	230	4.31%	0.574	132
Worcester	628	0.91%	188	3.52%	0.260	49
Baltimore City	12,339	17.95%	260	4.87%	3.687	959
Maryland (Total)	68,732		5,340			5,340